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News from the State Retirement & Pension System of Maryland

A Message from the Executive Director

It is with deep regret that I inform you of the death of one of our longstanding Trustees, Mr. Frank Casula. Frank was appointed by the Governor to represent the interests of the nearly 100 participating employers who have voluntarily elected to participate in the State System.

Frank was first appointed to the Board on February 14, 1986, and has been reappointed every four years until his death on October 21, 2001. Frank was a member of the Investment Committee and Chairman of the Real Estate Subcommittee. He made his decisions with the interests of the membership in mind.

He always made attending the various Board meetings a top priority, and he took his stewardship responsibility very seriously. He was a mediator, an advocate for the membership, a truly good and honorable man. We lost a well-respected friend.

Peter Vaughn
Executive Director

Important Message from the Board of Trustees

November 15, 2001

Dear Members and Beneficiaries:

The Board of Trustees is concerned with the adverse publicity the System has received over the last week. We want to provide you with facts on the health of the System that should allay any unwarranted fears or concerns you may have developed based upon these reports.

First and foremost, we assure you that your benefits are secure and will be paid without interruption. We have assets of \$29.5 billion and a funding status of 97.5%. This means that we have 97.5 cents available for every dollar that will be needed to meet all present and future benefit payments combined. Furthermore, payment of your benefits is guaranteed by the State of Maryland.

After more than a decade of strong investment returns, fiscal year 2001 was a negative year for nearly all types and styles of stock investments. As a result, the System gave back some of the large gains we achieved over the last several years. This year was only the second time in the last 17 years that the System did not meet or exceed its required investment rate of return.

It is critical to note that we were not the only system affected by this poor investment climate. All pension funds, both public and private, defined benefit as well as defined contribution plans as well as individual investors such as yourself were similarly affected. Despite analysis, due diligence and careful review, no one could predict the events that occurred over the last year.

You may have read in the press that the System is the worst performing System according to a Trust Universe Comparison Service. We do not agree. We have established investment objectives for success that do not include comparison with other plans, since each pension fund has differing funding objectives.

It is incomprehensible that we could be the worst performing Pension System while achieving full funding 20 years ahead of the legislative deadline and having paid off a \$6 billion dollar unfunded liability in the same timeframe. While we had a negative year due to stock market declines, we remain very strong financially with \$29.5 billion in assets. **This is a very solvent and well-funded retirement system.**

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- ➔ Transfer interest rate

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Important Message from the Board of Trustees (Continued from page 1)

As prudent long term investors, we continue to believe that stock returns will outpace all other types of asset classes over the long term. History has demonstrated this fact time and time again. We have and will continue to diversify the portfolio and look for long-term results which will achieve our mission of providing sufficient assets to meet benefit payments now and in the future.

While no one can predict or control the markets, perseverance and diversification will pay off over the long term.

Members of the Board of Trustees



Handwritten signatures of Board members, including Mary L. Krome, Arthur M. Goble Jr., William A. Brown, J. Elaine Foster, and Deborah J. [unclear].



Handwritten signatures of Board members, including William Donald Schaefer, Gayle Lancaster, Ron Harris, Nancy S. Lissoneck, and Geo R Tydings.

Changing jobs? Do not delay transferring eligible service

If you have recently changed jobs *and* retirement or pension systems, you may be eligible to transfer the service credit that you earned in the former system into your new retirement or pension account.

To qualify for the transfer of service credit, your employment must be continuous and you must apply to transfer the qualified credit within one year of becoming a member of your new retirement or pension system. Continuous employment as a requirement

for service transfer means that you changed jobs **without** incurring a break in employment.

It is important to remember that any transfer of service credit must be done within one year after becoming a member of your new system.

There are no exceptions. The employee contribution requirements of your new retirement or pension system determine the amount of employee contributions with interest needed to accompany the transfer of service.

If you do not pay these required contributions with interest, a contribution deficiency will be placed on your account. At retirement, any monies owed to the System will result in an actuarial reduction of your monthly benefit.

Two general types of credit transfers are possible:

1. A member may be eligible to transfer service credit from a previous State Retirement and Pension System (SRPS) plan to

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Disability retirement: Coverage when you need it

Disability retirement benefits provide valuable protection for members who suffer a serious injury or illness that permanently incapacitates them from performing their job duties.

Types of disability retirement

The State Retirement and Pension System provides benefits for two types of disability retirement: ordinary and accidental.

* **Ordinary disability** covers any permanently disabling physical or mental condition.

* **Accidental disability** covers injuries that a member sustains in an accident which occurs on the job while he or she is performing assigned duties.

For either type of disability retirement, the medical condition must permanently prevent the member from performing the duties of his or her position.

Special Rules for Law Enforcement Officers and State Police

To be eligible for accidental disability retirement, a member of the Law Enforcement Officers' Pension System (LEOPS) must be totally and permanently incapacitated for duty arising out of, or in the course of, the actual performance of duty without willful negligence by the member. The same standard applies for State Police; however, the term "special disability" is used instead of "accidental disability."

Eligibility

To be eligible to apply for *ordinary disability* retirement, a member must have at least five years of eligibility service. There is no service requirement to apply for *accidental* or *special disability* retirement. Retirees are not eligible to apply for disability benefits.

Filing requirements

For members seeking disability retirement benefits, timely filing is essential. Members may file for

disability benefits while on payroll or within a set period of time, depending on their system, after leaving payroll. An additional filing extension may be granted under special circumstances. The following chart indicates the various filing deadlines.

Filing Deadlines		
System	After leaving payroll	Additional filing extension (if eligible)
Employees' / Teachers' Contributory Pension; Law Enforcement Officers' Modified Pension	4 years	24 months
Teachers' Retirement	5 years	12 months
All other systems	3 years	36 months

Applications for accidental disability retirement must be filed within five years of the date of the accident. This filing deadline for accidental disability does not apply to the State Police or Correctional Officers' Retirement Systems or to LEOPS.

Members who believe they may be eligible for disability benefits should contact a retirement counselor immediately.

Note: Effective through December 31, 2001, the five year filing limit for an accidental disability benefit is waived for a teacher who is a member of the Teachers' Retirement or Teachers' Pension Systems *and* was injured through a physical altercation not initiated by the teacher that occurred on or before January 1, 1992. Forms must be received by the Retirement Agency by December 31, 2001 for the applicant to be exempt from the five year filing limit. *M*

Know how to file for disability retirement

Filing for disability retirement benefits is a two step process. A member seeking disability benefits must 1) file a disability claim and then 2) apply to actually retire.

Step 1: File a disability claim

A member filing for ordinary or accidental disability benefits must submit to the State Retirement Agency (SRA) the following forms and materials:

- *Statement of Disability* (Form 20),
- pertinent medical records,
- current job description signed by employer,
- *Preliminary Application for Disability Retirement* (Form 129), and
- *Application for an Estimate of Disability Retirement Allowances* (Form 21; Form 22 for State Police; Form 100 for LEOPS).

For State Police members, the Maryland State Police Medical Director also must submit a medical summary.

Members applying for accidental or special disability also must submit the following:

- employer's first report of injury,
 - copies of Workers' Compensation awards and
 - medical evidence directly connecting the accident as the cause of the disability
- OR
- evidence that the disability arose out of, or in the course of, the performance of duty (Maryland State Police and LEOPS only).

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'02 Transfer interest rate announced

The transfer refund interest rate for calendar year 2002 has been announced at 10.21794%. This rate will become effective January 1.

The 2001 transfer refund interest rate of 11.65643% will apply for transfer applications received by the State Retirement Agency up to December 7, 2001.

The transfer refund interest rate determines refund amounts for members of the Teachers' and Employees' Retirement Systems who elect to transfer to the Non-Contributory Pension System.

Completed transfer applications (Form 86) and other required paperwork must be received by the Retirement Agency by 5 p.m. on the following dates to be processed in that month in 2002. Transfer applications are not accepted in July.

- January 17
- February 19
- March 18
- April 16
- May 16
- June 18
- August 16
- September 18
- October 17
- November 20
- December 6 *M*

Visit the
State Retirement Agency
on the internet



www.sra.state.md.us

Review back issues of The Mentor
on the SRA Web site!

Changing jobs? (Continued from page 2)

a new SRPS plan. An example would be a state trooper, with membership in the State Police Retirement System, who accepts a position as a teacher and joins the Teachers' Pension System. To transfer credit within SRPS, you must submit a *Request to Transfer* (Form 37).

2. A member may be eligible to transfer service credit from a retirement or pension system operated under the laws of any political subdivision of Maryland to an SRPS plan. An example would be a Baltimore City employee, with membership in Baltimore City's retirement plan, who becomes a

State employee and joins the Employees' Pension System. To transfer credit earned with a non-SRPS plan, submit a *Request to Purchase Previous Service* (Form 26).

For more information on eligible service transfers, contact a retirement counselor at 410-625-5555 or toll free 1-800-492-5909. *M*

Know how to file (Continued from page 3)

Following a review by the Retirement Agency's Medical Board, the Board of Trustees takes final action on the claim and the applicant is notified. This process can take one to three months, or longer for complicated cases.

Step 2: If approved, apply to actually retire

If the claim is approved, the member will receive an estimate of his or her monthly disability retirement payment. To retire and begin collecting monthly benefits, the member must submit the following:

- *Application for Service or Disability Retirement* (Form

13-23; Form 14-24 for State Police; Form 98 or 101 for LEOPS),

- *Electronic Fund Transfer Sign-Up* (Form 85),
- *Reemployment After Retirement* (Form 127; Form 128 for State Police; Form 131 for LEOPS) and
- *Federal and Maryland State Tax Withholding Request* (Form 766).

Retirement counselors at the State Retirement Agency are available to answer questions and guide members through the filing process. For more information, call 410-625-5555 or toll free 1-800-492-5909. *M*

The Mentor is published by the State Retirement Agency, 120 East Baltimore Street, Baltimore, Maryland 21202-6700.

Address inquiries to the Agency office at this address, or telephone 410-625-5555 or 1-800-492-5909.
www.sra.state.md.us

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